

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended

Unit Name	WHITE PIGEON VILLAGE	County	ST JOSEPH	Type	VILLAGE	MuniCode	
Opinion Date-Use Calendar	Jul 18, 2008	Audit Submitted-Use Calendar	Aug 13, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 545,130.00
General Fund Expenditure:	\$ 559,530.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 149,105.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	MICHAEL	Last Name	WILSON	Ten Digit License Number	1101017570
CPA Street Address	127 W. CHICAGO RD.	City	STURGIS	State MI	Zip Code 49091
CPA Firm Name	NORMAN & PAULSEN, P.C.	Unit's Street Address	118 S. Kalamazoo	City	White Pigeon
				LU Zip	49099

VILLAGE OF WHITE PIGEON, MICHIGAN  
ST. JOSEPH COUNTY

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

March 31, 2008

VILLAGE OF WHITE PIGEON

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## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of White Pigeon, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of White Pigeon, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of White Pigeon management. Our responsibility is to express opinions on these financial statements based on our audit.

Norman & Paulsen, P.C.

*Chartered Public Accountants*

127 W Chicago Road  
Sturgis, MI 49091  
269.651.3228  
Fax 269.651.5146  
E-mail  
normanpaulsen@charter.net

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Other Location  
123 N. Main Street  
Three Rivers, MI 49093  
269.273.8641  
Fax 269.278.8252  
E-mail  
nph@npaccounting.com

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of White Pigeon, Michigan, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of White Pigeon basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Strawser, CPA  
Jerrel T. Norman (1941-1982)

*Norman & Paulsen, P.C.*

July 18, 2008

## VILLAGE OF WHITE PIGEON

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of White Pigeon financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Village's financial statements.

#### Financial Highlights

The Village's overall financial position decreased by \$92,920 during the fiscal year ended March 31, 2008, which represents 7.2 percent of the net asset position at the beginning of the year. Included in the Village's total net assets of \$1,203,493 are the Water Supply System Fund net assets of \$825,504. The Water Supply System's net assets decreased by \$15,328.

The Village's Governmental Funds reflected a total fund balance at March 31, 2008 of \$224,836, which was a decrease of \$52,637 from the prior year end. Included in this decrease was the General Fund which reflected a decrease of \$14,400.

The total Governmental Fund expenditures for the year ended March 31, 2008, amounted to \$649,045, of which \$316,752 (49 percent) was for public safety; \$252,766 (39 percent) was for public works; and \$79,527 (12 percent) was for general government.

During the year ended March 31, 2008, the General Fund made an operating transfer to the Water Supply System Fund in the amount of \$58,450. The Water Supply System Fund used the transfer to pay for water tower maintenance.

#### Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

# VILLAGE OF WHITE PIGEON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)					
	Governmental Funds		Enterprise Funds		
	2008	2007	2008	2007	
Assets	\$ 239	\$ 292	\$ 982	\$ 1,011	
Liabilities	14	14	156	170	
Fund Equity					
Invested in capital assets, net of related debt	-	-	552	579	
Retained Earnings					
Restricted	-	-	55	53	
Unreserved	-	-	219	209	
Fund Balances					
Reserved	106	98	-	-	
Unreserved	119	180	-	-	
Total Fund Equity	\$ 225	\$ 278	\$ 826	\$ 841	

# VILLAGE OF WHITE PIGEON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the net assets of the current year end and compared to the prior year end as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 239	\$ 292	\$ 280	\$ 267
Capital assets	<u>153</u>	<u>178</u>	<u>702</u>	<u>744</u>
Total assets	392	470	982	1,011
Long-term debt outstanding	-	-	150	165
Other liabilities	<u>14</u>	<u>14</u>	<u>6</u>	<u>5</u>
Total liabilities	14	14	156	170
Net assets				
Invested in capital assets, net of related debt	153	178	552	579
Restricted	-	-	55	53
Unrestricted	<u>225</u>	<u>278</u>	<u>219</u>	<u>209</u>
Total net assets	<u>\$ 378</u>	<u>\$ 456</u>	<u>\$ 826</u>	<u>\$ 841</u>

# VILLAGE OF WHITE PIGEON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

	Governmental Funds		Enterprise Funds	
	2008	2007	2008	2007
Revenue				
Taxes	\$ 289	\$ 282	\$ -	\$ -
Licenses and permits	17	3	-	-
Federal grants	1	6	-	-
State shared revenue	272	269	-	-
Charges for services	43	30	105	104
Interest	5	5	8	9
Other	28	28	-	-
Operating transfer	-	-	58	-
Total revenue	655	623	171	113
Program expenses				
General government	79	77	-	-
Public safety	317	343	-	-
Public works	253	222	-	-
Capital outlay	-	-	-	-
Water system	-	-	137	69
Depreciation	-	-	42	42
Interest expense	-	-	8	9
Operating transfer	58	-	-	-
Total expenses	707	642	187	120
Excess (deficiency)	<u>\$ (52)</u>	<u>\$ (19)</u>	<u>\$ (16)</u>	<u>\$ (7)</u>



# VILLAGE OF WHITE PIGEON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets during the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues				
Program revenues				
Charges for services	\$ 27	\$ 25	\$ 105	\$ 104
Operating grants and contributions	117	123	-	-
Capital grants and contributions	-	-	-	-
General revenues				
Property taxes	289	282	-	-
State shared revenues	157	158	-	-
Unrestricted investment earnings	5	5	8	9
Transfers	(58)	-	58	-
Miscellaneous	24	5	-	-
Total revenues	561	598	171	113
Expenses				
General government	100	98	-	-
Public safety	333	338	-	-
Public works	206	203	-	-
Water system	-	-	187	120
Total expenses	639	639	187	120
Change in net assets	<u>\$ (78)</u>	<u>\$ (41)</u>	<u>\$ (16)</u>	<u>\$ (7)</u>

### The Village's Funds

Our analysis of the Village's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. Major funds for the fiscal year ended March 31, 2008 include the General Fund and the Major Street and Local Street Funds.

The General fund pays for most of the Village's governmental services. The primary services include police protection services and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

## **VILLAGE OF WHITE PIGEON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **General Fund Budgetary Highlights**

As shown in the required supplemental information, the Village budgeted a decrease of \$39,800 in the original budget and a decrease of \$38,864 in the amended budget. Actual operating results ended up as a decrease of \$14,400.

The actual results ended the fiscal year within \$24,464 of the amended budget.

#### **Capital Assets and Debt Administration**

During the year ended March 31, 2008, the total capital assets of the Village increased by \$20,000 for street construction.

During the year ended March 31, 2008, the total debt obligations of the Village decreased by the scheduled principal payment of \$15,000. Total debt obligations at March 31, 2008 amounted to \$150,000.

#### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

VILLAGE OF WHITE PIGEON

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business</u>	
	<u>Activities</u>	<u>Type</u>	<u>Total</u>
		<u>Activities</u>	
ASSETS			
Cash and investments	\$ 156,595	\$ 163,611	\$ 320,206
Receivables, net	82,260	38,610	120,870
Receivables, long-term portion	-	78,016	78,016
Capital assets - net	<u>153,153</u>	<u>701,504</u>	<u>854,657</u>
Total assets	392,008	981,741	1,373,749
LIABILITIES			
Accounts payable	7,720	2,452	10,172
Accrued and other liabilities	6,299	3,785	10,084
Debt obligations:			
Due within one year	-	15,000	15,000
Due in more than one year	<u>-</u>	<u>135,000</u>	<u>135,000</u>
Total liabilities	<u>14,019</u>	<u>156,237</u>	<u>170,256</u>
NET ASSETS			
Invested in capital assets, net of related debt	153,153	551,504	704,657
Restricted for:			
Debt service	-	35,312	35,312
Other purposes	-	20,000	20,000
Unrestricted	<u>224,836</u>	<u>218,688</u>	<u>443,524</u>
Total net assets	<u>\$ 377,989</u>	<u>\$ 825,504</u>	<u>\$ 1,203,493</u>

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities:				
General government	\$ 99,897	\$ 8,008	\$ -	\$ -
Public safety	332,867	18,649	2,330	-
Public works	<u>205,553</u>	<u>-</u>	<u>114,824</u>	<u>-</u>
Total governmental activities	638,317	26,657	117,154	-
Business-type activities:				
Water Supply System	<u>187,031</u>	<u>105,457</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 825,348</u>	<u>\$ 132,114</u>	<u>\$ 117,154</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenues				
Unrestricted investment earnings				
Transfers				
Miscellaneous				
Total general revenues				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR				
NET ASSETS - END OF YEAR				

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
\$ (91,889)	\$ -	\$ (91,889)
(311,888)	-	(311,888)
<u>(90,729)</u>	<u>-</u>	<u>(90,729)</u>
(494,506)	-	(494,506)
<u>-</u>	<u>(81,574)</u>	<u>(81,574)</u>
(494,506)	(81,574)	(576,080)
289,319	-	289,319
156,734	-	156,734
5,487	7,796	13,283
(58,450)	58,450	-
<u>23,824</u>	<u>-</u>	<u>23,824</u>
<u>416,914</u>	<u>66,246</u>	<u>483,160</u>
(77,592)	(15,328)	(92,920)
<u>455,581</u>	<u>840,832</u>	<u>1,296,413</u>
<u>\$ 377,989</u>	<u>\$ 825,504</u>	<u>\$ 1,203,493</u>

## FUND FINANCIAL STATEMENTS

**VILLAGE OF WHITE PIGEON**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
MARCH 31, 2008**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 99,849	\$ 30,705	\$ 26,041	\$ 156,595
Accounts receivable	2,087	-	-	2,087
Due from other governmental units	60,814	14,011	5,348	80,173
Due from other funds	-	-	-	-
Total assets	<u>\$ 162,750</u>	<u>\$ 44,716</u>	<u>\$ 31,389</u>	<u>\$ 238,855</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 7,720	\$ -	\$ -	\$ 7,720
Accrued liabilities	5,925	210	164	6,299
Due to other funds	-	-	-	-
Total liabilities	13,645	210	164	14,019
<b>FUND BALANCE</b>				
Reserved for road maintenance	30,846	-	-	30,846
Reserved for drug forfeiture program	16,410	-	-	16,410
Reserved for capital acquisitions	44,520	-	-	44,520
Reserved for depot restoration	5,390	-	-	5,390
Reserved for salvage inspection program	7,393	-	-	7,393
Reserved for unemployment	1,000	-	-	1,000
Unreserved	<u>43,546</u>	<u>44,506</u>	<u>31,225</u>	<u>119,277</u>
Total fund balance	<u>149,105</u>	<u>44,506</u>	<u>31,225</u>	<u>224,836</u>
Total liabilities and fund balance	<u>\$ 162,750</u>	<u>\$ 44,716</u>	<u>\$ 31,389</u>	<u>\$ 238,855</u>

See accompanying notes to financial statements



VILLAGE OF WHITE PIGEON

GOVERNMENTAL FUNDS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
MARCH 31, 2008

Total governmental fund balances	\$	224,836
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Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and therefore are  
not reported in the funds.

Governmental capital assets	\$	887,225	
Less accumulated depreciation		<u>(734,072)</u>	<u>153,153</u>
Net assets of governmental activities	\$		<u><u>377,989</u></u>

See accompanying notes to financial statements

**VILLAGE OF WHITE PIGEON**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
YEAR ENDED MARCH 31, 2008**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 289,319	\$ -	\$ -	\$ 289,319
Federal grants	1,411	-	-	1,411
State aid	156,734	79,420	30,308	266,462
State grants	6,015	-	-	6,015
Interest and penalties	5,487	-	-	5,487
Licenses, permits and fees	16,855	-	-	16,855
Rent	44,942	-	-	44,942
Other	<u>24,367</u>	<u>-</u>	<u>-</u>	<u>24,367</u>
Total revenues	545,130	79,420	30,308	654,858
<b>EXPENDITURES</b>				
General government	177,571	-	-	177,571
Park	1,957	-	-	1,957
Fire/rescue service	7,439	-	-	7,439
Village hall	4,800	-	-	4,800
Police department	309,313	-	-	309,313
Major streets	-	88,819	-	88,819
Local streets	<u>-</u>	<u>-</u>	<u>59,146</u>	<u>59,146</u>
Total expenditures	<u>501,080</u>	<u>88,819</u>	<u>59,146</u>	<u>649,045</u>
Excess (deficiency) of revenues over expenditures	44,050	(9,399)	(28,838)	5,813
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	19,855	19,855
Operating transfers out	<u>(58,450)</u>	<u>(19,855)</u>	<u>-</u>	<u>(78,305)</u>
Total other financing sources (uses)	<u>(58,450)</u>	<u>(19,855)</u>	<u>19,855</u>	<u>(58,450)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(14,400)	(29,254)	(8,983)	(52,637)
FUND BALANCE - BEGINNING	<u>163,505</u>	<u>73,760</u>	<u>40,208</u>	<u>277,473</u>
FUND BALANCE - ENDING	<u>\$ 149,105</u>	<u>\$ 44,506</u>	<u>\$ 31,225</u>	<u>\$ 224,836</u>

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

Net change in fund balances - total governmental funds                      \$        (52,637)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	20,000
Depreciation expense	<u>(44,955)</u>

Change in net assets of governmental activities                                      \$ (77,592)

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 YEAR ENDED MARCH 31, 2008

	<u>Water Supply System Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 108,299
Accounts receivable	29,835
Special assessments receivable	<u>8,775</u>
Total current assets	146,909
NONCURRENT ASSETS	
Restricted cash and cash equivalents	55,312
Special assessments receivable	78,016
Capital assets, net of depreciation	<u>701,504</u>
Total noncurrent assets	<u>834,832</u>
Total assets	981,741
LIABILITIES	
CURRENT LIABILITIES	
Current portion of long-term debt	15,000
Accounts payable	2,452
Accrued liabilities	<u>3,785</u>
Total current liabilities	21,237
NONCURRENT LIABILITIES	
Long-term debt, net of current portion	<u>135,000</u>
Total liabilities	<u>156,237</u>
NET ASSETS	
Invested in capital assets, net of related debt	551,504
Restricted for debt service	35,312
Restricted for maintenance	20,000
Unrestricted	<u>218,688</u>
Total net assets	<u>\$ 825,504</u>

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON

PROPRIETARY FUNDS

STATEMENT OF REVENUE, EXPENSES,  
AND CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2008

	Water Supply <u>System Fund</u>
OPERATING REVENUE	
Charges for services	\$ 105,457
OPERATING EXPENSES	
Operating and administrative	136,792
Depreciation	<u>42,000</u>
Total operating expenses	<u>178,792</u>
OPERATING INCOME (LOSS)	(73,335)
NONOPERATING REVENUES (EXPENSES)	
Interest income	7,796
Interest expense	<u>(8,239)</u>
Total nonoperating revenues (expenses)	<u>(443)</u>
INCOME (LOSS) BEFORE TRANSFERS	(73,778)
TRANSFERS IN	<u>58,450</u>
CHANGE IN NET ASSETS	(15,328)
NET ASSETS - BEGINNING OF YEAR	<u>840,832</u>
NET ASSETS - ENDING OF YEAR	<u><u>\$ 825,504</u></u>

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED MARCH 31, 2008

	<u>Water Supply System Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 109,132
Payments to suppliers	(79,362)
Payments to employees	(31,789)
Benefit payments	(15,763)
Payments for interfund services used	<u>(8,592)</u>
Net cash provided (used) by operating activities	 (26,374)
Cash flows from noncapital financing activities	
Transfers from other funds	58,450
Cash flows from capital and related financing activities	
Receipts from special assessments	8,775
Principal paid on debt	(15,000)
Interest paid on debt	(8,569)
Purchase of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	 (14,794)
Cash flows from investing activities	
Interest received on investments	<u>7,796</u>
Net increase (decrease) in cash	25,078
Cash and Cash Equivalents - Beginning of Year	 <u>138,533</u>
Cash and Cash Equivalents - End of Year	 <u><u>\$ 163,611</u></u>

See accompanying notes to financial statements

VILLAGE OF WHITE PIGEON

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS - Continued  
YEAR ENDED MARCH 31, 2008

	<u>Water Supply System Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (73,335)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	42,000
(Increase) decrease in:	
Accounts receivable	3,675
Increase (decrease) in:	
Accounts payable	1,320
Accrued liabilities	<u>(34)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (26,374)</u></u>

See accompanying notes to financial statements

## VILLAGE OF WHITE PIGEON

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of White Pigeon conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to villages. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB 20 and 34 provide the Village the option of electing to apply FASB pronouncements issued after November 30, 1989. The Village has elected not to apply those pronouncements. The more significant accounting policies establishing GAAP and used by the Village are discussed below.

#### **Reporting Entity**

The Village of White Pigeon operates a Council-President form of government and provides the following services as authorized by its charter: public safety (police, fire and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Village (the primary government) and its component units, entities for which the Village is considered to be financially accountable. There are no component units to be included in these financial statements.

**Basis of Accounting - Government-Wide Financial Statements** - The statement of net assets and the statement of activities display information about the Village as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.



VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Village and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Village.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting - Fund Financial Statements** - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- \* Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- \* Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Village reports the following major funds:

**General Fund** - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

**Special Revenue Funds**

**Major Street Fund** - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of major streets within the Village.

**Local Street Fund** - To account for gas and weight tax allocations to the Village by the Michigan Department of Transportation for construction and maintenance of local streets within the Village.

**Enterprise Funds**

**Water Supply System Fund** - To account for user charges and for operating expenses and debt service of the Village's water system.

The following is a description of two major categories and various fund types within those categories into which the funds are grouped:

**Governmental Fund** - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Revenue Recognition** - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

**Expenditure Recognition** - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Village:

**General Fund** - The general fund is the general operating fund of the Village. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

**Special Revenue Funds** - Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Proprietary Funds** - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year end.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The water fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the Village:

**Enterprise Funds** - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Budgets and Budgetary Accounting** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- \* On or about March 31, the Village Council submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- \* Public hearings are conducted to obtain taxpayer comments.
- \* On or about April 1, the budget is legally enacted through passage of resolution.
- \* The Village Council is authorized to transfer budgeted amounts within departments.
- \* The budget for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles.
- \* Appropriations for the general fund and special revenue funds lapse at the end of the fiscal year.
- \* Budgeted amounts are as originally adopted or as amended by the Village Council.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Deposits and Investments** - Statutes authorize the primary government and component units to invest in the following:

- \* In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- \* In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- \* In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- \* In United States government of federal agency obligation repurchase agreements.
- \* In banker's acceptances of United States banks.
- \* In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- \* In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital Assets and Depreciation** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Streets	15-20
Utility systems	30-50
Buildings and improvements	15-50
Machinery and equipment	5-20
Vehicles	2-7
Furniture and other	3-7

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Long-Term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Property Taxes** - The Village's property taxes are levied as an enforceable lien on property as of December 1. Village taxes are levied on the following July 1 and are payable without penalty through September 16. Real property taxes not collected as of March 1 are turned over to St. Joseph County for collection. The County advances the Village 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village's treasurer. The Village's property taxes levied on July 1 provide the revenue for the current fiscal year.

The assessed and state equalized taxable value of real and personal property located in the Village totaled \$27,927,302. The Village's general operating levy for the year was based on a millage rate of 9.14610.



VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**Compensated Absences** - It is the Village's policy to not pay for unused vacation or sick days and not to allow accumulation of unpaid days. Therefore, no current or long-term liability has been accrued.

**Fund Equity** - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

The Village's deposits and investments are included on the balance sheet under the following classifications:

	Primary <u>Government</u>
Statement of Net Assets:	
Cash and investments	<u>\$ 320,206</u>

**Cash** - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At March 31, 2008, the book balance was \$320,206 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$335,879, of which \$299,832 was insured by federal depository insurance and \$36,047 was uninsured.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits Village Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities are 100 percent due from other governments. Business-type activities receivables are 76 percent special assessments receivable and 24 percent due from customers.

Accounts receivable in the governmental activities and the business-type activities are reported net of an allowance for uncollectible accounts of -0-.

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2008, was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets, being depreciated:				
Streets	-	20,000	-	20,000
Land improvements	15,900	-	-	15,900
Buildings and improvements	379,645	-	-	379,645
Machinery and equipment	<u>461,160</u>	<u>-</u>	<u>12,980</u>	<u>448,180</u>
Subtotal	856,705	20,000	12,980	863,725
Accumulated depreciation				
Streets	-	670	-	670
Land improvements	13,780	1,060	-	14,840
Buildings and improvements	298,970	9,491	-	308,461
Machinery and equipment	<u>389,347</u>	<u>33,734</u>	<u>12,980</u>	<u>410,101</u>
Subtotal	<u>702,097</u>	<u>44,955</u>	<u>12,980</u>	<u>734,072</u>
Net capital assets being depreciated	<u>154,608</u>			<u>129,653</u>
Net capital assets	<u>\$ 178,108</u>			<u>\$ 153,153</u>

VILLAGE OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

NOTE 4 - CAPITAL ASSETS - Continued

	Balance April 1, 2007	Additions	Disposals/ Transfers	Balance March 31, 2008
Business-Type activities				
Capital assets, not being depreciated:				
Land	\$ 15,800	\$ -	\$ -	\$ 15,800
Capital assets, being depreciated:				
Water supply system	1,219,970	-	-	1,219,970
Accumulated depreciation				
Water supply system	<u>492,266</u>	<u>42,000</u>	<u>-</u>	<u>534,266</u>
Net capital assets being depreciated	<u>727,704</u>			<u>685,704</u>
Net capital assets	<u>\$ 743,504</u>			<u>\$ 701,504</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		Business-type activities:	
General government	\$ 20,370	Water Supply	
Public safety	16,115	System	<u>\$ 42,000</u>
Public works	<u>8,470</u>		
Total	<u>\$ 44,955</u>		

**VILLAGE OF WHITE PIGEON**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**NOTE 5 - LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended March 31, 2008:

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Current Portion
Business-Type Activities					
Revenue bonds	\$ 165,000	\$ -	\$ 15,000	\$ 150,000	\$ 15,000

Long-term debt payables at March 31, 2008, consisted of the following individual issues:

**Business-Type Activities**

Water Supply System bonds payable in  
annual installments of \$5,000 to  
\$15,000 through May 1, 2017;  
interest at 5.25% \$ 150,000

**Debt Service Requirements**

The annual requirements to service all debt outstanding as of March 31, 2008 including both principal and interest, are as follows:

	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 15,000	\$ 7,875	\$ 22,875
2010	15,000	7,088	22,088
2011	15,000	6,300	21,300
2012	15,000	5,512	20,512
2013	15,000	4,725	19,725
2014-2018	<u>75,000</u>	<u>11,813</u>	<u>86,813</u>
Total	<u>\$ 150,000</u>	<u>\$ 43,313</u>	<u>\$ 193,313</u>

**VILLAGE OF WHITE PIGEON**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008**

**NOTE 6 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 7 - RETIREMENT PROGRAMS**

The Village has a retirement plan which covers certain employees. The Village pays the total cost of the plan. There were no unfunded past service costs at March 31, 2008. The retirement expense of the Village included in computing excess of revenues over expenditures for the year ended March 31, 2008, was \$16,210.

**NOTE 8 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The annual budget is prepared by the Village management and adopted by the Village Council; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Village were adopted on a fund level basis.

During the year ended March 31, 2008, the Village incurred the following expenditures in excess of the amounts appropriated at the legal level of budgetary control:

NONE

**REQUIRED SUPPLEMENTAL INFORMATION**

VILLAGE OF WHITE PIGEON

REQUIRED SUPPLEMENTAL INFORMATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes	\$ 277,000	\$ 292,378	\$ 289,319	\$ (3,059)
Licenses, permits and fees	3,700	15,036	16,855	1,819
Federal grants	-	1,411	1,411	-
State aid/grants	166,200	155,841	162,749	6,908
Charges for services	43,000	45,274	44,942	(332)
Fines and forfeits	16,100	15,304	16,169	865
Miscellaneous	5,300	3,085	13,685	10,600
Total revenues	511,300	528,329	545,130	16,801
EXPENDITURES				
General government	87,950	85,536	79,527	6,009
Public safety	298,000	317,956	316,752	1,204
Public works	106,700	105,251	104,801	450
Total expenditures	492,650	508,743	501,080	7,663
Excess (deficiency) of revenues over expenditures	18,650	19,586	44,050	24,464
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(58,450)	(58,450)	(58,450)	-
Excess (deficiency) of revenues over expenditures and other uses	(39,800)	(38,864)	(14,400)	24,464
FUND BALANCE - Beginning of year	163,505	163,505	163,505	-
FUND BALANCE - End of year	<u>\$ 123,705</u>	<u>\$ 124,641</u>	<u>\$ 149,105</u>	<u>\$ 24,464</u>



VILLAGE OF WHITE PIGEON

REQUIRED SUPPLEMENTAL INFORMATION  
MAJOR STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
REVENUE				
Intergovernmental	\$ 80,000	\$ 73,458	\$ 79,420	\$ 5,962
EXPENDITURES				
Public works	<u>89,950</u>	<u>90,001</u>	<u>88,819</u>	<u>1,182</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(9,950)	(16,543)	(9,399)	7,144
OTHER FINANCING (USES)				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(19,855)</u>	<u>145</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER USES	(29,950)	(36,543)	(29,254)	7,289
FUND BALANCE - BEGINNING OF YEAR	<u>73,760</u>	<u>73,760</u>	<u>73,760</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 43,810</u>	<u>\$ 37,217</u>	<u>\$ 44,506</u>	<u>\$ 7,289</u>

VILLAGE OF WHITE PIGEON

REQUIRED SUPPLEMENTAL INFORMATION  
LOCAL STREET FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
REVENUE				
Intergovernmental	\$ 30,000	\$ 28,033	\$ 30,308	\$ 2,275
EXPENDITURES				
Public works	<u>58,250</u>	<u>59,182</u>	<u>59,146</u>	<u>36</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(28,250)	(31,149)	(28,838)	2,311
OTHER FINANCING SOURCES				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>19,855</u>	<u>(145)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	(8,250)	(11,149)	(8,983)	2,166
FUND BALANCE - BEGINNING OF YEAR	<u>40,208</u>	<u>40,208</u>	<u>40,208</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 31,958</u>	<u>\$ 29,059</u>	<u>\$ 31,225</u>	<u>\$ 2,166</u>



## REQUIRED COMMUNICATION TO THE VILLAGE OF WHITE PIGEON IN ACCORDANCE WITH PROFESSIONAL STANDARDS

July 18, 2008

To the Village Council  
Village of White Pigeon, Michigan

Norman & Paulsen, P.C.

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We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of White Pigeon for the year ended March 31, 2008, and have issued our report thereon dated July 18, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of White Pigeon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

### Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 18, 2008.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## Internal Control Matters

In planning and performing our audit of the financial statements of the Village of White Pigeon, Michigan for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The relatively small number of people involved in the accounting functions of the Village makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process.

Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot, by definition, be considered a part of the government's *internal* controls. This condition was caused by the Village's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control. We believe that the deficiencies described above are material weaknesses.

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This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Norman J. Paulson, P.C.*